

## MEPs: Hold companies accountable for harm caused to people and planet

- Due diligence requires companies to identify, address and remedy their impact on human rights and the environment throughout their value chain
- Rules should apply to all companies operating in EU internal market, including those from outside the EU
- Sanctions for non-compliance and legal support for victims of corporations in third countries
- Ban on import of products linked to severe human rights violations such as forced or child labour

**Legal Affairs Committee MEPs pave the way for a new EU law that requires companies to comply with human rights and environmental standards within their value chains.**

The draft [legislative initiative](#) (adopted by 21 votes in favour, one against and one abstention) calls on the Commission to urgently present a law that ensures companies are held accountable and liable when they harm - or contribute to harming - human rights, the environment and good governance. It must also guarantee access to legal remedies for victims.

### **Sustainability and good governance**

Binding EU due diligence rules would oblige companies to identify, address and remedy aspects of their value chain (all operation, direct or indirect business relations, investment chains) that could or do infringe on human rights (including social, trade union and labour rights), the environment (including contributing to climate change) and good governance.

### **Bringing about change beyond EU borders**

All companies that want to access the EU internal market, including those established outside the EU, would have to prove that they comply with environmental and human rights due diligence obligations. MEPs call for additional measures, including a ban on importing products linked to severe human rights violations such as forced or child labour. These aims should be included in trade and sustainable development chapters of EU trade agreements.

MEPs also stress that in order to guarantee effective reparations for victims, companies should be held liable for their actions and be fined for causing harm or contributing to it, unless they can prove that they have acted in line with due diligence obligations and taken measures to prevent such harm. The rights of victims or stakeholders in third countries – who are especially vulnerable – would also be better protected.

### Broad scope and help for SMEs

Any future legislative framework on due diligence should be broad and apply to all large undertakings in the EU, including those providing financial services. The rules should also apply to publicly listed SMEs and high-risk SMEs, which should receive technical assistance to comply with the requirements.

### Quote

“A new law on corporate due diligence will set the standard for responsible business conduct in Europe and beyond. No longer will companies be able to harm people and the planet without being held accountable”, said rapporteur [Lara Wolters \(S&D, NL\)](#). “The new rules will hold companies legally responsible for avoiding and limiting risks in their entire value chain. They will give victims a legal right to support and to seek reparations, and will ensure fairness, a level playing field and legal clarity for all businesses, workers and consumers”, she added.

### Background

Existing international frameworks on due diligence, such as the [UN Guiding Principles on Business and Human Rights](#) and the [OECD guidelines for Multinational Enterprises](#), have proven that a voluntary approach does not sufficiently address the negative impacts of globalised business activities.

A Commission [study published](#) in February 2020 found that only one in three companies in the EU is currently taking due diligence measures, while around 70% of European businesses surveyed support EU-wide due diligence rules. During an [exchange of views](#) with the Committee on Legal Affairs, Justice Commissioner Reynders vowed that the upcoming legislative proposal, expected in the first half of the year, will be an integral part of the European Green Deal and the European Recovery Plan.

### Further information

[Committee on Legal Affairs](#)

[Procedure file](#)

[Press release: Sustainability: businesses interests must align with society's interests \(17.12.2020\)](#)

[EPRS Briefing: Towards a mandatory EU system of due diligence for supply chains \(22.20.2020\)](#)

[EPRS Study: Corporate due diligence and corporate accountability \(20.10.2020\)](#)

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